

# Knowledge, skills and understanding

## Content

The following content must be covered to prepare students for the final assessment of this qualification.

### 1. Books of Original Entry and Double-Entry

Subject content	What students need to learn:
<b>1.1 Accounting concepts</b>	a) The definition of the following accounting concepts: <ul style="list-style-type: none"> <li>• accruals</li> <li>• business entity</li> <li>• consistency</li> <li>• going concern</li> <li>• materiality</li> <li>• prudence</li> <li>• realisation.</li> </ul>
<b>1.2 The accounting equation</b>	a) Definition of the accounting equation.
	b) Use of the accounting equation.
<b>1.3 Double-entry bookkeeping</b>	a) Recording of transactions by double-entry
	b) Balance an account and bring down the balance.
	c) Interpretation of an entry and an account.
	d) Preparation of a trial balance from balances in a ledger account at a given date: <ul style="list-style-type: none"> <li>• differentiate between a debit and credit balance</li> <li>• differentiate between purchases and sales transactions</li> <li>• differentiate between cash and credit transactions</li> <li>• differentiate between capital and revenue items.</li> </ul>

Subject content	What students need to learn:
	e) Identification and correction of errors that do not affect the trial balance. Errors to include: <ul style="list-style-type: none"><li>• commission</li><li>• omission</li><li>• principle</li><li>• compensating</li><li>• original entry</li><li>• reversal.</li></ul>
	f) Differences between nominal ledger and subsidiary ledgers. The need for sub-divisions of the ledger.
	g) Classification and treatment of expenditure and income for capital and revenue.

Subject content	What students need to learn:
<b>1.4 Books of original entry</b>	a) The use of business documents as sources of information.
	b) Purpose and preparation of the principal documents in business transactions: <ul style="list-style-type: none"> <li>• sales invoice</li> <li>• purchase invoice</li> <li>• credit note</li> <li>• statement of account</li> <li>• receipts</li> <li>• remittance advice</li> <li>• cheque.</li> </ul>
	c) The purpose and effect of trade discount.
	d) Purpose and preparation of the: <ul style="list-style-type: none"> <li>• purchases daybook</li> <li>• sales daybook</li> <li>• returns outwards day book</li> <li>• returns inwards day book</li> <li>• cash book</li> <li>• petty cash book.</li> </ul>
	e) The uses and preparation of the journal: <ul style="list-style-type: none"> <li>• opening entries when businesses are established</li> <li>• purchase or sale of non-current assets on credit</li> <li>• year-end ledger transfers</li> <li>• correction of errors.</li> </ul>
	f) Recording of discounts for early payment: <ul style="list-style-type: none"> <li>• process transactions with discount received and discount allowed through entries in the three-column cash book</li> <li>• posting the total at the end of the period to the relevant accounts in the nominal ledger.</li> </ul>
	g) Petty cash book and petty cash vouchers  Candidates will be assessed on the above based only on the imprest system.

Subject content	What students need to learn:
1.5 Bank transactions	a) Methods of payment and receipt of money.
	b) The need for reconciliation statements and the preparation of a bank reconciliation statement.
	c) Updating the cash book and adjusting the balance: <ul style="list-style-type: none"> <li>• direct debits</li> <li>• bank charges</li> <li>• bank interest</li> <li>• correction of errors</li> <li>• standing orders</li> <li>• credit transfers</li> <li>• dishonoured cheques.</li> </ul>
	d) Updating the cash book balance

## 2. Accounting for Payroll

Subject content	What students need to learn:
2.1 Calculation of payroll using time rates and incentive schemes	a) Time rate.
	b) Piece rate.
	c) Bonus scheme.
2.2 Payroll deductions	a) Statutory deductions: <ul style="list-style-type: none"> <li>• tax</li> <li>• pensions.</li> </ul> Students are <b>not</b> expected to calculate these figures.
	b) Voluntary deduction: <ul style="list-style-type: none"> <li>• pensions.</li> </ul> Students are <b>not</b> expected to calculate this figure.
2.3 Calculation of wages	a) Gross pay.
	b) Net pay.
2.4 Accounting for payroll	a) Purpose and preparation of ledger entries.

### 3. Control Accounts

Subject content	What students need to learn:
3.1 The purposes and preparation of control accounts	a) The purpose of control accounts.
	b) Preparation of the trade receivables ledger control account, to include treatment of minority balances.  Students will not be required to perform control account reconciliation
	c) Preparation of the trade payables ledger control account to include treatment of minority balances.  Students will not be required to perform control account reconciliation.

### 4. Produce Financial Statements of a Sole Trader

Subject content	What students need to learn:
4.1 Account for depreciation costs	a) Reasons for charging depreciation
	b) Calculation of depreciation using the following methods: <ul style="list-style-type: none"> <li>• straight line</li> <li>• reducing (diminishing) balance.</li> </ul> Students will <b>not</b> be expected to show the ledger entries for these.
	c) Calculation of carrying value
4.2 Adjustments for accruals and prepayments	a) To make adjustments for accrued and prepaid expenses and income in the income statement (statement of profit or loss) and statement of financial position.  Students will <b>not</b> be expected to show the ledger entries for these.
4.3 Adjustments for irrecoverable debts	a) Adjustment of profit for the year for irrecoverable debts.  Students will <b>not</b> be expected to show the ledger entries for these.
	b) Adjustment of trade receivables for irrecoverable debts.  Students will <b>not</b> be expected to show the ledger entries for these.

Subject content	What students need to learn:
4.4 Prepare the financial statements	a) Preparation of a full, or an extract of, income statement (statement of profit or loss) for a sole trader from a given set of data.
	b) Preparation of a full, or an extract of, statement of financial position for a sole trader from a given set of data.

The following skills should be developed throughout the course of study.

Skills	Students should:
	a) demonstrate accuracy, orderliness and appropriate presentation of accounting information
	b) use appropriate numeracy skills for the calculation of bookkeeping data
	c) prepare ledger accounts, day books and journal entries with accuracy
	d) prepare cash book, petty cash book and bank reconciliation statements
	e) make adjustments for depreciation, accruals, prepayments and irrecoverable debts at period end
	f) prepare financial statements for sole traders
	g) prepare control accounts for trade receivables and trade payables
	h) calculate and adjust payroll payments